

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
Elbert County, Colorado

FINANCIAL STATEMENTS
December 31, 2014

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Independent Auditor's Report

Board of Directors
Elkhorn Ranch Metropolitan District No. 1
Elbert County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Elkhorn Ranch Metropolitan District No. 1 (District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Elkhorn Ranch Metropolitan District No. 1 District, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 28, 2015

BASIC FINANCIAL STATEMENTS

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2014

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments - unrestricted | \$ 80,798 |
| Cash and investments - restricted | 1,283 |
| Receivable from county treasurer | 4,089 |
| Prepaid expense | 2,427 |
| Property taxes receivable | 279,278 |
| Capital assets not being depreciated | 240,000 |
| Capital assets being depreciated, net | 11,973 |
| Total assets | <u>619,848</u> |
| LIABILITIES | |
| Accounts payable | 3,717 |
| Accrued interest payable | 119,078 |
| Bonds payable: | |
| Due within one year | 160,000 |
| Due in more than one year | 7,915,000 |
| Developer advance payable: | |
| Due in more than one year | 514,475 |
| Interest on Developer advances due in more than one year | 75,147 |
| Total liabilities | <u>8,787,417</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 279,278 |
| Total deferred inflows of resources | <u>279,278</u> |
| NET POSITION | |
| Net investment in capital assets: | (7,823,027) |
| Restricted for: | |
| Emergency Reserves | 1,580 |
| Road improvements | 148,950 |
| Unrestricted | (774,350) |
| Total net position | <u>\$ (8,446,847)</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 6,365,009 | \$ - | \$ - | \$ - | \$ (6,365,009) |
| Interest and other costs on long-term debt | 573,067 | - | - | - | (573,067) |
| | <u>\$ 6,938,076</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (6,938,076)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 278,151 |
| Specific ownership taxes | | | | | 57,188 |
| Road fees | | | | | 2,220 |
| Net investment income | | | | | 464 |
| Total general revenues | | | | | <u>338,023</u> |
| Change in net position | | | | | (6,600,053) |
| Net position - beginning | | | | | <u>(1,846,794)</u> |
| Net position- ending | | | | | <u>\$ (8,446,847)</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

| | <u>General</u> | <u>Debt Service</u> | <u>Debt Service - Subordinate Bonds</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-------------------|-------------------------|---|-----------------------------|---|
| ASSETS | | | | | |
| Cash and investments - unrestricted | \$ 500 | \$ - | \$ - | \$ 80,298 | \$ 80,798 |
| Cash and investments - restricted | - | 1,283 | - | - | 1,283 |
| Receivable from county treasurer | 360 | 3,729 | - | - | 4,089 |
| Property taxes receivable | 24,628 | 254,650 | - | - | 279,278 |
| Due from other funds | 76,403 | - | - | 68,652 | 145,055 |
| Prepaid expenditures | 2,427 | - | - | - | 2,427 |
| Total assets | <u>\$ 104,318</u> | <u>\$ 259,662</u> | <u>\$ -</u> | <u>\$ 148,950</u> | <u>\$ 512,930</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 3,417 | \$ 300 | \$ - | \$ - | \$ 3,717 |
| Due to other funds | - | 145,055 | - | - | 145,055 |
| Total liabilities | <u>3,417</u> | <u>145,355</u> | <u>-</u> | <u>-</u> | <u>148,772</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred property tax revenue | <u>24,628</u> | <u>254,650</u> | <u>-</u> | <u>-</u> | <u>279,278</u> |
| Total deferred inflows of resources | <u>24,628</u> | <u>254,650</u> | <u>-</u> | <u>-</u> | <u>279,278</u> |
| FUND BALANCES (DEFICIT) | | | | | |
| Nonspendable: | | | | | |
| Prepaid expenditures | 2,427 | - | - | - | 2,427 |
| Spendable: | | | | | |
| Restricted for: | | | | | |
| Emergency Reserves | 1,580 | - | - | - | 1,580 |
| Road improvements | - | - | - | 148,950 | 148,950 |
| Unrestricted | | | | | |
| Assigned for future year spending | 3,687 | - | - | - | 3,687 |
| Unassigned | 68,579 | (140,343) | - | - | (71,764) |
| Total fund balances (deficit) | <u>76,273</u> | <u>(140,343)</u> | <u>-</u> | <u>148,950</u> | <u>84,880</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT) | <u>\$ 104,318</u> | <u>\$ 259,662</u> | <u>\$ -</u> | <u>\$ 148,950</u> | |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|-----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 251,973 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds | |
| Bonds payable | (8,075,000) |
| Interest on bonds payable | (119,078) |
| Developer advance | (514,475) |
| Interest on developer advances | (75,147) |
| Net position of governmental activities | <u>\$ (8,446,847)</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2014

| | <u>General</u> | <u>Debt Service</u> | <u>Debt Service - Subordinate Bonds</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|------------------|-------------------------|---|-----------------------------|---|
| REVENUE | | | | | |
| Property taxes | \$ 24,528 | \$ 253,623 | \$ - | \$ - | \$ 278,151 |
| Specific ownership tax | 5,043 | 52,145 | - | - | 57,188 |
| Permit fees | - | - | - | 2,220 | 2,220 |
| Interest income | 104 | 360 | - | - | 464 |
| Total revenue | <u>29,675</u> | <u>306,128</u> | <u>-</u> | <u>2,220</u> | <u>338,023</u> |
| EXPENDITURES | | | | | |
| Audit | 4,100 | - | - | - | 4,100 |
| County treasurer's fee | 737 | 7,618 | - | - | 8,355 |
| Directors' fees | 1,700 | - | - | - | 1,700 |
| District management and accounting | 22,131 | - | - | - | 22,131 |
| Dues | 345 | - | - | - | 345 |
| Insurance and bonds | 2,682 | - | - | - | 2,682 |
| Legal | 11,753 | - | - | - | 11,753 |
| Repairs and maintenance | 6,600 | - | - | - | 6,600 |
| Support Services | 1,886 | - | - | - | 1,886 |
| Miscellaneous | 755 | - | - | - | 755 |
| Debt service | | | | | |
| Bond principal | - | 105,000 | - | - | 105,000 |
| Bond interest | - | 421,069 | 137,375 | - | 558,444 |
| Paying agent fees | - | 2,514 | - | - | 2,514 |
| Total expenditures | <u>52,689</u> | <u>536,201</u> | <u>137,375</u> | <u>-</u> | <u>726,265</u> |
| EXCESS OF REVENUE OVER (UNDER) | | | | | |
| EXPENDITURES | <u>(23,014)</u> | <u>(230,073)</u> | <u>(137,375)</u> | <u>2,220</u> | <u>(388,242)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Developer advance | 16,000 | - | 137,375 | - | 153,375 |
| Total other financing sources (uses) | <u>16,000</u> | <u>-</u> | <u>137,375</u> | <u>-</u> | <u>153,375</u> |
| NET CHANGE IN FUND BALANCES | (7,014) | (230,073) | - | 2,220 | (234,867) |
| FUND BALANCE - BEGINNING OF YEAR | <u>83,287</u> | <u>89,730</u> | <u>-</u> | <u>146,730</u> | <u>319,747</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ 76,273</u> | <u>\$ (140,343)</u> | <u>\$ -</u> | <u>\$ 148,950</u> | <u>\$ 84,880</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

| | |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ (234,867) |
|---|--------------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

| | | |
|-------------------------|------------------|----------|
| Bond principal payments | 105,000 | |
| Developer Advance | <u>(153,375)</u> | (48,375) |

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

| | | |
|--|---------------|--------------------|
| Depreciation | (1,088) | |
| Conveyance of streets to County | (6,303,614) | |
| Net change in accrued interest on developer advances | (33,973) | |
| Net change in accrued interest on bond interest | <u>21,864</u> | <u>(6,316,811)</u> |

| | |
|---|------------------------------|
| Change in net position of governmental activities | <u><u>\$ (6,600,053)</u></u> |
|---|------------------------------|

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2014

| | <u>Budget Amounts</u> | | <u>Variance with Final Budget</u> |
|---|-------------------------------|---------------------------|---------------------------------------|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | <u>Positive (Negative)</u> |
| REVENUE | | | |
| Property taxes | \$ 30,476 | \$ 24,528 | \$ (5,948) |
| Specific ownership tax | 3,900 | 5,043 | 1,143 |
| Infrastructure support fee | 32,000 | - | (32,000) |
| Interest income | 200 | 104 | (96) |
| Total revenue | <u>66,576</u> | <u>29,675</u> | <u>(36,901)</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| Audit | 2,500 | 4,100 | (1,600) |
| County treasurer's fee | 915 | 737 | 178 |
| Directors' fees | 3,500 | 1,700 | 1,800 |
| District management and accounting | 25,000 | 22,131 | 2,869 |
| Dues and subscriptions | 400 | 345 | 55 |
| Elections | 6,000 | - | 6,000 |
| Insurance and bonds | 2,300 | 2,682 | (382) |
| Legal | 18,000 | 11,753 | 6,247 |
| Repairs and maintenance | 7,000 | 6,600 | 400 |
| Support services | 3,000 | 1,886 | 1,114 |
| Utilities | 500 | - | 500 |
| Miscellaneous | 1,000 | 755 | 245 |
| Total expenditures | <u>70,115</u> | <u>52,689</u> | <u>17,426</u> |
| EXCESS OF REVENUE OVER (UNDER) | | | |
| EXPENDITURES | <u>(3,539)</u> | <u>(23,014)</u> | <u>(19,475)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer advance | - | 16,000 | 16,000 |
| Total other financing sources (uses) | <u>-</u> | <u>16,000</u> | <u>16,000</u> |
| NET CHANGE IN FUND BALANCE | (3,539) | (7,014) | (3,475) |
| FUND BALANCE - BEGINNING OF YEAR | <u>73,349</u> | <u>83,287</u> | <u>9,938</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 69,810</u> | <u>\$ 76,273</u> | <u>\$ 6,463</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - DEFINITION OF REPORTING ENTITY

Elkhorn Ranch Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on June 18, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in Elbert County, Colorado (County).

The District was established principally to coordinate the construction, acquisition, financing and maintenance of public improvements, including streets and safety control, landscaping, water, sewer, storm drainage, television relay, and park and recreation improvements and facilities. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the County or its designee for operation and maintenance. Certain landscaping, park and recreation improvements, and street lighting may be maintained by the District or by a homeowners' association.

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other District organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Debt Service Subordinate Bond Fund accounts for the resources accumulated and payments made for principal and interest on long-term subordinate obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

For the year ended December 31, 2014, the District approved additional appropriations in the Debt Service Fund from \$442,099 to \$536,599 and in the Debt Service Subordinate Bond Fund from \$135,875 to \$137,375.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash. Investments are carried at fair value.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include equipment, CIP, landscaping, are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

| | |
|-------------------------------|----------|
| Landscaping improvements | 20 years |
| Park and recreation equipment | 20 years |

System Development Fees

The District imposes certain development impact and facility fees on property within the District. The fees are required to be paid prior to the issuance of a building permit by the County. The District records the revenue when the fees are paid and received. The infrastructure fee for road improvements is to be used solely for the improvement of certain access roads into the District.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of December 31, 2014, the District imposed the following fees per single-family equivalent:

Facility fee - \$3,500
Infrastructure fee for road improvements - \$2,220
Water surcharge fee - \$3,940
Infrastructure support fee - \$250

On February 10, 2011, the District approved the imposition of an Infrastructure Support Fee of \$1,400 for each undeveloped lot within the District. The fee is due and payable on the first day of August 2011, and each August 1 thereafter, until a certificate of occupancy is issued for the undeveloped lot. The fee shall be imposed but waived on a dollar-for-dollar basis to the extent that the owner of such undeveloped lot provides any developer advances to the District from August 2 of the year immediately preceding the imposition of the Infrastructure Support Fee to August 1 of the year the Infrastructure Support Fee is imposed. On an annual basis, the District reviews the Infrastructure Support Fee and adjusts it accordingly.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

| | |
|-------------------------------------|------------------|
| Cash and investments - Unrestricted | \$ 80,798 |
| Cash and investments - Restricted | <u>1,283</u> |
| Total cash and investments | <u>\$ 82,081</u> |

Cash and investments as of December 31, 2014 consist of the following:

| | |
|--------------------------------------|------------------|
| Deposits with financial institutions | \$ 80,798 |
| Investments | <u>1,283</u> |
| Total cash and investments | <u>\$ 82,081</u> |

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2014, the District's cash deposits had a bank balance of \$81,398 and a carrying balance of \$80,798.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investment that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- * Obligations of the United States and certain U.S. government agency securities
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

The local government investment pool Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Standard & Poor's.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2014, the District had the following investments:

| Investment | Maturity | Fair Value |
|--|--------------------------------|-------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under 60 days | \$ <u>1,283</u> |

CSAFE

During 2014, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of December 31, 2014, the District had \$1,283 invested in CSAFE and held by a Trustee in the name of the District.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2014, follows:

| <u>Governmental Activities</u> | <u>December 31,</u> <u>2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>December 31,</u> <u>2014</u> |
|---|--|-------------------------|-------------------------|--|
| Capital assets, not being depreciated: | | | | |
| Open Space | \$ 240,000 | \$ - | \$ - | \$ 240,000 |
| Construction in process: | | | | |
| Streets | 6,303,614 | - | 6,303,614 | - |
| Total capital assets, not being depreciated | 6,543,614 | - | 6,303,614 | 240,000 |
| Capital assets being depreciated: | | | | |
| Landscape and parks | 21,766 | - | - | 21,766 |
| Total capital assets, being depreciated | 21,766 | - | - | 21,766 |
| Less accumulated depreciation for: | | | | |
| Landscape and parks | (8,705) | (1,088) | - | (9,793) |
| Total accumulated depreciation | (8,705) | (1,088) | - | (9,793) |
| Total assets being depreciated, net | 13,061 | (1,088) | - | 11,973 |
| Governmental activities capital assets, net | <u>\$ 6,556,675</u> | <u>\$ (1,088)</u> | <u>6,303,614</u> | <u>\$ 251,973</u> |

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to the general government function/program in the Statement of Activities.

In accordance with the District's service plan, it is anticipated that, except for certain landscaping, water, park and recreation improvements and street lighting, the District will dedicate the improvements and facilities to the County or its designee. Upon acceptance by the County or its designee for maintenance and ownership, the facilities will be removed from the District's property records.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2014:

| | Balance at December 31, 2013 | Additions | Reductions | Balance at December 31, 2014 | Due Within One Year |
|--|------------------------------------|-------------------|-------------------|------------------------------------|---------------------------|
| Governmental Activities: | | | | | |
| G.O. Limited Tax Convertible to Unlimited Tax Bonds, Series 2005A | \$ 6,605,000 | \$ - | \$ 105,000 | \$ 6,500,000 | \$ 110,000 |
| Subordinate Convertible Capital Appreciation Bond, Series 2006 | 1,575,000 | - | - | 1,575,000 | 50,000 |
| Developer advances | 361,100 | 153,375 | - | 514,475 | - |
| Accrued interest on developer advances | 41,174 | 33,973 | - | 75,147 | - |
| | <u>\$ 8,582,274</u> | <u>\$ 187,348</u> | <u>\$ 105,000</u> | <u>\$ 8,664,622</u> | <u>\$ 160,000</u> |

The detail of the District's long-term obligations is as follows:

General Obligation Bonds, Series 2005A

On September 1, 2005, the District issued \$6,950,000 in General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2005A. The Bonds are term bonds maturing on December 1, 2035 at 6.375% interest. Interest is payable semi-annually on June 1 and December 1 each year, commencing December 1, 2005. The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Bonds are also subject to mandatory sinking fund redemption on December 1, 2008, and on each December 1 thereafter in increasing amounts until the maturity date.

The Bonds are general obligations of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, the facility fee (see Note 2), and specific

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing. The Bonds are also secured by amounts collected pursuant to a Facility Fees Agreement, which obligate Elkhorn Ranch Venture, LLC (Developer) and U.S. Homes of Colorado, Inc. to make scheduled payments of facility fees to the extent that facility fee revenue of the District is less than the scheduled facility fee payments as described below. Until the debt to assessed value ratio of the District is equal to 50% or less, pledged revenue that is not needed to pay debt service on the bonds in any year will be deposited to and held in the Bond Surplus Fund, up to the maximum amount of \$695,000. The amount held in the Bond Surplus Fund at December 31, 2014 was \$1,283.

Proceeds of the bonds were used to pay a portion of the costs of acquiring and constructing capital improvements, provide capitalized interest for the payment of a portion of the interest on the bonds, and to pay costs of issuance.

Subordinate Convertible Capital Appreciation Bond, Series 2006B

On April 17, 2006, the District issued \$1,575,000 in Subordinate Convertible Capital Appreciation Bonds, Series 2006B at a discounted value of \$1,299,265. The Bonds are term bonds maturing on December 1, 2036 at 7.5% interest. Interest is payable annually on December 15 each year, commencing December 15, 2009. The principal amount of the Bonds shall bear interest from April 17, 2007 to December 14, 2008, and such interest will compound on each December 15 prior to December 1, 2009.

Such compounded interest shall thereafter constitute Accreted Interest. Beginning on December 15, 2008, the Accreted Value of the Bonds shall bear interest at the interest rate. The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2008, and on any date thereafter, upon payment the redemption price. The Bonds are also subject to mandatory sinking fund redemption on December 15, 2011, and on each December 15 thereafter. However, due to insufficient pledged revenue, the District has not yet been able to adhere to the mandatory sinking fund redemption.

The Bonds are subordinate obligations of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, specific ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing and any moneys released from the "Elkhorn Ranch Metropolitan District No. 1 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2005A, Surplus Fund".

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Proceeds of the bonds were used to satisfy a portion of the District's obligations under the Elkhorn Ranch Venture, LLC Advance and Reimbursement Agreement.

The District's long-term obligations relating to the general obligation and subordinate bonds will mature as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|----------------------|
| 2015 | \$ 160,000 | \$ 604,625 | \$ 764,625 |
| 2016 | 140,000 | 521,737 | 661,737 |
| 2017 | 145,000 | 512,700 | 657,700 |
| 2018 | 170,000 | 503,344 | 673,344 |
| 2019 | 185,000 | 492,338 | 677,338 |
| 2020 - 2024 | 1,255,000 | 2,257,013 | 3,512,013 |
| 2025 - 2029 | 2,050,000 | 1,744,257 | 3,794,257 |
| 2030 - 2034 | 3,045,000 | 947,419 | 3,992,419 |
| 2035 - 2036 | 925,000 | 75,375 | 1,000,375 |
| | <u>\$ 8,075,000</u> | <u>\$ 7,658,808</u> | <u>\$ 15,733,808</u> |

Advance and Reimbursement Agreement - Elkhorn Ranch Venture, LLC

The District entered into an advance and reimbursement agreement with Elkhorn Ranch Venture, LLC (Elkhorn) on April 20, 2006. The agreement stipulates that the District shall reimburse Elkhorn for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2014, the District had no outstanding advances under the agreement. (See Note 8).

Advance and Reimbursement Agreement - Elkhorn Land Company, LLC

The District entered into an advance and reimbursement agreement with Elkhorn Land Company, LLC (Elkhorn Land) on August 19, 2003, which was amended on August 2, 2011. The agreement stipulates that the District shall reimburse Elkhorn Land for any advances made to the District, together with interest at the rate of 7% per annum. The amended agreement allows Elkhorn Land to provide a Developer advance in lieu of the imposition of the Infrastructure Support Fee. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

District. At December 31, 2014, the District owed the developer \$121,600 in principal and \$23,349 in accrued interest. (See Note 8.)

Advance and Reimbursement Agreement - The Bromley Companies, LLC

The District entered into an advance and reimbursement agreement with The Bromley Companies, LLC (Bromley) on August 19, 2003. The agreement stipulates that the District shall reimburse Bromley for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2014, the District had no outstanding advances under this agreement. (See Note 8.)

Advance and Reimbursement Agreement – Red Tierra Equities, LLC

The District entered into an advance and reimbursement agreement with Red Tierra Equities, LLC on December 6, 2011. The agreement stipulates that the District shall reimburse the developer for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2014, the District owed the developer \$392,875 in principal and \$51,798 in accrued interest. (See Note 9.)

Authorized Debt

On May 7, 2002, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$30,350,000 at an interest rate not to exceed 18% per annum. At December 31, 2014, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

| | Total Authorized | Remaining at December 31, 2014 |
|--------------------------------|-----------------------------|---|
| Street improvements | \$ 8,400,000 | \$ 2,467,865 |
| Park and recreation facilities | 1,820,000 | 1,820,000 |
| Water supply improvements | 3,780,000 | 1,462,870 |
| Sanitary sewer system | 1,000,000 | 1,000,000 |
| Operations and maintenance | 350,000 | 350,000 |
| Debt refunding | 15,000,000 | 15,000,000 |
| | <u>\$ 30,350,000</u> | <u>\$ 22,100,735</u> |

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – FUND EQUITY

At December 31, 2014, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,427 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$1,580 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

The restricted fund balance in the Capital Projects Fund in the amount of \$148,950 is to be used exclusively for the improvements of certain access roads into the District as collected through infrastructure fees for road improvements (see Note 2).

Unrestricted Fund Balance

At December 31, 2014, the Debt Service Fund had a (\$140,343) unassigned deficit as a result of the debt service payment being in excess of the pledged revenue available. This fund balance deficit is expected to be eliminated by anticipated increases in the assessed valuation that will generate more pledged revenue in the future.

NOTE 7 - NET POSITION

The District has a net position consisting of three components – net investment in capital assets, restricted; and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. In 2014, street improvements of \$6,303,614 were conveyed to the County. As of December 31, 2014, The District had a net investment in capital assets in the amount of \$(7,823,027).

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has restricted amounts of \$148,950

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – FUND EQUITY (CONTINUED)

for road improvements as of December 31, 2014. The District also had restricted \$1,580 for Emergency Reserves.

NOTE 8 - RELATED PARTY

The members of the Board of Directors of the District are employees of, owners of, or otherwise associated with Elkhorn Ranch Venture, LLC, Red Tierra Equities, LLC, Elkhorn Land Company, LLC and The Bromley Companies, LLC and may have conflicts of interest in dealing with the District. Specific details of transactions with Elkhorn Ranch Venture, LLC, Elkhorn Land Company, LLC and The Bromley Companies, LLC regarding organization, advances and debt are described elsewhere in these footnotes. Additionally, the District's general obligation bonds (Series 2006B) were purchased by CAW Equities, LLC, a company that is owned by members of the Board of Directors.

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS

Permanent Water Service Agreement

On August 18, 2005, the District entered into a water service agreement with Arapahoe County Water and Wastewater Authority (ACWWA). Under the agreement, the District has dedicated appropriate sites and easements to ACWWA to the extent necessary for ACWWA to provide water service to the District's service area. The District has constructed certain water lines and related facilities necessary to provide this water service. During 2005, these water improvements were conveyed to ACWWA for ownership and maintenance.

To help fund the District's cost of constructing the water facilities, ACWWA has credited to the District 109 prepaid water tap fees, as well as a surcharge fee on each water tap with an initial credit value of \$1,606,660. Upon receipt of the 109th water tap, the District shall remit all remaining tap fees and surcharge fees to ACWWA. As of December 31, 2014, the District had received water tap fee and surcharge fee revenue on 102 lots.

NOTE 10 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2014. The Pool is an organization created by intergovernmental agreement to

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 - RISK MANAGEMENT (CONTINUED)

provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprise.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 7, 2002, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$100,000 annually for District operations and maintenance. The electors also authorized the District to collect, retain, and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 12 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's debt service requirements and operations. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer to pay operations and capital requirements.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUE | | | | |
| Property taxes | \$ 315,126 | \$ 315,126 | \$ 253,623 | \$ (61,503) |
| Special ownership taxes | 42,000 | 42,000 | 52,145 | 10,145 |
| Interest income | 300 | 300 | 360 | 60 |
| | <u>357,426</u> | <u>357,426</u> | <u>306,128</u> | <u>(51,298)</u> |
| EXPENDITURES | | | | |
| <u>General</u> | | | | |
| Audit | 2,500 | 2,500 | - | 2,500 |
| County treasurer's fee | 9,455 | 9,455 | 7,618 | 1,837 |
| District management and accounting | 5,500 | 3,500 | - | 3,500 |
| Legal | 6,500 | 4,000 | - | 4,000 |
| <u>Debt Service</u> | | | | |
| Bond Principal | - | 100,000 | 105,000 | (5,000) |
| Bond interest | 414,644 | 414,644 | 421,069 | (6,425) |
| Paying agent fees | 3,500 | 2,500 | 2,514 | (14) |
| | <u>442,099</u> | <u>536,599</u> | <u>536,201</u> | <u>398</u> |
| EXCESS OF REVENUE OVER (UNDER) | | | | |
| EXPENDITURES | <u>(84,673)</u> | <u>(179,173)</u> | <u>(230,073)</u> | <u>(50,900)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from (to) other funds | - | 94,500 | - | (94,500) |
| | <u>-</u> | <u>94,500</u> | <u>-</u> | <u>(94,500)</u> |
| NET CHANGE IN FUND BALANCE | <u>(84,673)</u> | <u>(84,673)</u> | <u>(230,073)</u> | <u>(145,400)</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>84,673</u> | <u>84,673</u> | <u>89,730</u> | <u>5,057</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (140,343)</u> | <u>\$ (140,343)</u> |

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE SUBORDINATE BOND FUND
Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUE | | | | |
| | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| <u>Debt Service</u> | | | | |
| Bond principal | 20,000 | - | - | - |
| Bond interest | 115,875 | 137,375 | 137,375 | - |
| | <u>135,875</u> | <u>137,375</u> | <u>137,375</u> | <u>-</u> |
| EXCESS OF REVENUE OVER (UNDER) | | | | |
| EXPENDITURES | <u>(135,875)</u> | <u>(137,375)</u> | <u>(137,375)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer advance | <u>135,875</u> | <u>137,375</u> | <u>137,375</u> | <u>-</u> |
| | <u>135,875</u> | <u>137,375</u> | <u>137,375</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| FUND BALANCE - BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2014

| | <u>Budget Amounts Original and Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--|---------------------------|---|
| REVENUE | | | |
| Road fees | \$ - | \$ 2,220 | \$ 2,220 |
| Total revenue | <u>-</u> | <u>2,220</u> | <u>2,220</u> |
| EXPENDITURES | | | |
| Capital outlay | | | |
| Road improvements | 112,840 | - | 112,840 |
| Total expenditures | <u>112,840</u> | <u>-</u> | <u>112,840</u> |
| NET CHANGE IN FUND BALANCE | (112,840) | 2,220 | 115,060 |
| FUND BALANCE - BEGINNING OF YEAR | 144,840 | 146,730 | 1,890 |
| FUND BALANCE - END OF YEAR | <u>\$ 32,000</u> | <u>\$ 148,950</u> | <u>\$ 116,950</u> |

OTHER INFORMATION

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014

| \$6,950,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Dated September 1, 2005 Interest Rate of 6.375% Payable on June 1 and December 1 Principal due on December 1 | | | \$1,575,000 General Obligation Subordinate Bonds (Non-Rated, Convertible CAB) Dated April 17, 2006 Interest Rate of 7.5% Principal and Interest due on December 15 | | | Total |
|---|---------------------|------------|---|---------------------|---------------------|--------------|
| Principal | Interest | | Principal | Interest | | |
| 2015 | \$ 110,000 | \$ 414,375 | \$ 50,000 | \$ 190,250 | \$ 764,625 | |
| 2016 | 130,000 | 407,362 | 10,000 | 114,375 | 661,737 | |
| 2017 | 135,000 | 399,075 | 10,000 | 113,625 | 657,700 | |
| 2018 | 155,000 | 390,469 | 15,000 | 112,875 | 673,344 | |
| 2019 | 165,000 | 380,588 | 20,000 | 111,750 | 677,338 | |
| 2020 | 185,000 | 370,069 | 20,000 | 110,250 | 685,319 | |
| 2021 | 200,000 | 358,275 | 20,000 | 108,750 | 687,025 | |
| 2022 | 220,000 | 345,525 | 20,000 | 107,250 | 692,775 | |
| 2023 | 235,000 | 331,500 | 35,000 | 105,750 | 707,250 | |
| 2024 | 260,000 | 316,519 | 60,000 | 103,125 | 739,644 | |
| 2025 | 280,000 | 299,944 | 65,000 | 98,625 | 743,569 | |
| 2026 | 310,000 | 282,094 | 70,000 | 93,750 | 755,844 | |
| 2027 | 330,000 | 262,331 | 75,000 | 88,500 | 755,831 | |
| 2028 | 360,000 | 241,294 | 85,000 | 82,875 | 769,169 | |
| 2029 | 385,000 | 218,344 | 90,000 | 76,500 | 769,844 | |
| 2030 | 420,000 | 193,800 | 100,000 | 69,750 | 783,550 | |
| 2031 | 445,000 | 167,025 | 110,000 | 62,250 | 784,275 | |
| 2032 | 490,000 | 138,656 | 120,000 | 54,000 | 802,656 | |
| 2033 | 520,000 | 107,419 | 130,000 | 45,000 | 802,419 | |
| 2034 | 565,000 | 74,269 | 145,000 | 35,250 | 819,519 | |
| 2035 | 600,000 | 38,250 | 155,000 | 24,375 | 817,625 | |
| 2036 | - | - | 170,000 | 12,750 | 182,750 | |
| \$ 6,500,000 | \$ 5,737,183 | | \$ 1,575,000 | \$ 1,921,625 | \$15,733,808 | |

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2014

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Total Property Taxes | | Percentage Collected to Levied |
|--|---|---------------------|-----------------------------|------------------|---|
| | | | Levied | Collected | |
| 2009 | \$ 6,882,280 | 55.000 | \$378,525 | \$ 277,404 | 73.29% |
| 2010 | \$ 7,667,740 | 55.000 | \$421,726 | \$ 496,888 | 117.82% |
| 2011 | \$ 7,257,220 | 56.700 | \$411,484 | \$ 411,391 | 99.98% |
| 2012 | \$ 5,119,780 | 56.700 | \$290,292 | \$ 290,292 | 100.00% |
| 2013 | \$ 5,173,880 | 56.700 | \$293,359 | \$ 293,359 | 100.00% |
| 2014 | \$ 6,078,400 | 56.700 | \$344,645 | \$ 278,151 | 80.71% |
| Estimated for the year ending December 31, | | | | | |
| 2015 | \$ 4,925,540 | 56.700 | \$279,278 | | |

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.